

APPENDIX C  
**ROCHESTER TELEPHONE CORPORATION**  
**POSTRETIREMENT WELFARE BENEFITS VALUATION-**  
**SUMMARY OF RETIREE LIFE INSURANCE BENEFIT PROVISIONS**

ROCHESTER TELEPHONE

1 x Salary reduced 10% per year starting  
at age 66 until 50% at age 70

AUSABLE VALLEY

Management: 2 x salary prior to age 65  
1.3 x salary from 65 to age 70  
1 x salary from age 70

Non-Management: \$3,000

CITIZEN'S

75% of final salary not to exceed \$50,000

DEPUE

4 x Salary

HIGHLAND

1.3 x Salary reducing to 1 x Salary at age 70

LAKESHORE

\$150,000

MINOT

\$10,000

OSWAYO

\$4,400 - only for one current retiree

SOUTHLAND

2 x salary prior to age 65, \$10,000 thereafter  
(Only those retiring prior to 8/1/91)

SYLVAN LAKE

Management: 2 x salary prior to age 65  
1.2 x salary from 65 to age 70  
1 x salary from age 70

VISTA

50% of final pay not to exceed \$40,000

**ROCHESTER TELEPHONE CORPORATION**  
(all amounts in thousands)

*Full 12/93*

*Code 470*

*BC C-51*

**DEREGULATED MANAGEMENT SPLITS**

APBO:	RCI	RTMC	ROTELCOM
Retirees	\$0	\$0	\$0
Fully eligible plan participants	(745)	(267)	(827)
Other active plan participants	(212)	(79)	(254)
	(\$958)	(\$346)	(\$1,081)
Plan Assets at Fair Value	0	0	0
Funded Status	(\$958)	(\$346)	(\$1,081)
Unrecognized Transition Obligation	958	346	1,081
Accrued Benefit Cost	\$0	\$0	\$0

**Estimated Net Postretirement Benefit Cost for 1993**

Service Cost	\$52	\$11	\$72
Interest Cost	74	27	84
Amortization of Transition Obligation	48	17	54
Expected Return on Plan Assets	0	0	0
Net Postretirement Benefit Cost	\$174	\$55	\$210

**Notes:**

1. Discount rate equals 7.75%.
2. Transition Obligation amortized over 20 years.
3. Projection based on January 1, 1992 valuation.

29-Oct-93

*Forward to Henry M. ... on 12/29/93*

## Appendix B

SFAS-106 Valuations as of January 1, 1994

**ROCHESTER TELEPHONE CORPORATION**

**POSTRETIREMENT NONPENSION BENEFITS  
JANUARY 1, 1994 VALUATION**

**December 5, 1994**

# BUCK CONSULTANTS

500 Plaza Drive  
Secaucus, New Jersey 07096-1533

December 5, 1994

Mr. Joseph Enis  
Director of Finance  
Rochester Telephone Corporation  
Rochester Telephone Center  
180 South Clinton Avenue  
Rochester, New York 14646-0110

Dear Mr. Enis:

This report presents the results of our actuarial valuation of postretirement nonpension benefits for employees of Rochester Telephone Corporation, prepared as of January 1, 1994.

The purpose of the valuation is to identify the benefit obligations and annual expense in accordance with the Financial Accounting Standards Board Statement No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. The valuation was based on census and claims data supplied by the Corporation and the program provision in effect as of January 1, 1994.

The valuation was prepared based on actuarial assumptions that reflect the Corporation's best estimate of future program experience including a 7.25% discount rate and a 9.0% long term expected return on plan assets. In addition, the valuation reflects the following:

- the Corporation adopted FAS 106 in 1993 with delayed recognition of the transition obligation;
- the accrued postretirement benefit cost for nonpension postretirement benefits amounts to \$16,015,854 as of December 31, 1993;
- there are plan assets of \$3,943,904 in a retiree life reserve for life insurance benefits for Regulated employees of Rochester Telephone Company.

For purposes of projecting year-end disclosures as of December 31, 1994, we reflected an increase in the discount rate from 7.25% to 8.00% per annum and modified health care cost trend rates declining to an ultimate rate of 6.0% for years 2006 and after.

The Table of Contents, which immediately follows, outlines the material contained in this report.

Respectfully Submitted,

BUCK CONSULTANTS, INC.

(Signed) Marsha Venturi

Marsha Venturi  
Consulting Actuary

(Signed) Brian Stitzel

Brian Stitzel  
Assistant Actuary

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### **EXHIBIT**

A	Outline of Actuarial Assumptions and Methods
B	Summary of Benefit Provisions
C	Overview of FAS 106 Rules

### **APPENDIX**

A	Tables of 1994 Results by Company
B	Tables of 1995 Projected Results by Company

**SECTION I**  
**EXECUTIVE SUMMARY**

1. At the request of Rochester Telephone Corporation (the Corporation), Buck Consultants has prepared this valuation of postretirement nonpension benefits as of January 1, 1994, along with a projection of results for 1995. The purpose of the valuation is to measure the Corporation's current obligation and determine the annual expense under the rules of Financial Accounting Standards Board Statement No. 106 (FAS 106). Exhibit C contains summaries of our understanding of the FAS 106 rules.
2. The valuation was based on our understanding of the nonpension postretirement benefit provisions in effect as of January 1, 1994 as summarized in Exhibit B.

The following benefit changes were treated as plan amendments during 1994:

**Rochester Telephone Company** - As of April 1, 1994, Management and RTWA employees with at least five years of service as of that date were granted an additional five years of age and service for benefit and eligibility purposes. In determining eligibility for those employees after that date, employees are considered to be at least as old and to have at least as much service as determined as of April 1, 1994 including the additional years.

**C,C&S, Telco. - Management** - The 1992 valuation reflected that employees retiring after 1992 would contribute 50% of the increases in medical premiums from 1993. We understand that this "1993 cost-sharing" rule was not adopted by C,C&S and measured the impact as a plan amendment effective January 1, 1994.

**Depue** - The 1992 valuation reflected that three retirees under contract were to receive the same life insurance benefits as they received while actively employed. We now understand that this is not true and that only two of the three contract retirees receive a flat life insurance benefit determined at the date of retirement. The impact of this change was measured as a plan amendment effective January 1, 1994.

**Fairmount** - Effective January 1, 1994, two existing retirees were granted nonpension benefits.

**Schuyler** - The 1992 valuation reflected that employees retiring after 1992 would contribute 50% of the increases in medical premiums from 1993. We understand that this "1993 cost-sharing" rule was not adopted by Schuyler and measured the impact as a plan amendment effective January 1, 1994.

**Seneca Gorham** - Effective January 1, 1994, the eligibility rules for nonpension benefits were changed to be the same as those at Highland Telephone Company.

**Viroqua** - As of January 1, 1994, all active employees were granted an additional five years of age and service for benefit and eligibility purposes. In determining eligibility for those employees after that date, employees are considered to be at least as old and to have at least as much service as determined as of April 1, 1994 including the additional years.

The following benefit changes were treated as special termination benefits during 1994:

**Illinois Telco Group** - Medical benefits provided to Lucille Ryan and Donald Myers to age 65.

**Monroeville** - Medical benefits provided to Lenwood Sager and Edwin Klumpp to age 65.

**Ontonagon** - Lifetime medical benefits (including reimbursement of Medicare Part B premiums) provided to Larry Reynolds.

**Seneca Gorham** - Lifetime medical and telephone discount benefits provided to Penny Baier.

3. The Corporation and its subsidiaries provided individual census data as of January 1, 1994 for active employees and current retirees. Detailed summaries of the data are presented in Section IV.
4. Exhibit A outlines the full set of actuarial assumptions and methods used in the current valuation. The assumptions and methods are primarily the same as those used in the calculation of December 31, 1993 year end disclosures, including a 7.25% discount rate and medical plan cost increases of 12.0% for 1994 grading down to 5.25% for years 2006 and after. Modified assumptions were used with respect to the following:
  - retiree participation in the medical plan for those covered under the "1993 cost-sharing" rules;



- elections to cover spouses in the medical plan for future retirees;
- postretirement mortality for future disabled retirees.

In addition, the valuation reflects the following:

- The Corporation adopted FAS 106 in 1993 and elected delayed recognition of the transition obligation.
- The component of expense for recognition of actuarial gains and losses is based on the FAS 106 "10% corridor approach" except as follows. For companies subject to regulation by the New York State Public Service Commission, gains and losses within the 10% corridor are recognized over a fixed 10 year period.
- The total accrued postretirement benefit cost for retiree nonpension benefits amounts to \$16,015,854 as of December 31, 1993.
- The assets in the retiree life reserve for life insurance benefits for regulated employees of Rochester Telephone Company amount to \$3,943,904 as of December 31, 1993.
- The Corporation's expense is determined, by benefit type, as the sum of the expenses calculated separately for each individual company.

5. The valuation results are presented in Section II and the forecast of 1995 results are presented in Section III. The Tables in Appendix A and Appendix B present the results for 1994 and projections for 1995 by Company. A summary of the principal results of the 1994 valuation and 1995 projections is as follows:

	1994 Results (7.25%)	1995 Projections (8.0%)
<b><u>Valuation Data</u></b>		
Number of active employees	3,455	
Annual compensation *	\$118,486,658	
Number of individuals covered in the medical plan:		
retirees and surviving spouses	1,842	
covered spouses	1,187	
Current volume of life insurance	\$39,788,518	
<b><u>Assets and Liabilities (as of January 1)</u></b>		
Assets for life insurance benefits **	\$3,943,904	\$3,813,000
Accrued postretirement benefit cost	\$16,015,854	\$27,498,000
Unfunded accumulated benefit obligation	\$128,297,445	\$137,201,000
<b><u>Annual FAS 106 Expense</u></b>		
Service cost (end of year)	\$1,322,996	\$1,071,000
Interest cost	\$9,666,095	\$11,020,000
Amortization of:		
Transition obligation	\$6,093,670	\$6,094,000
Prior Service Cost	\$383,084	\$466,000
Gains and losses	(\$703,110)	(\$680,000)
Expected return on plan assets	(\$349,662)	(\$320,000)
Total	\$16,413,074***	\$17,652,000
	\$5,622,314	\$6,647,000
<b><u>Projected Cash Benefit Costs</u></b>		

\* For 3,180 employees with salary related life insurance benefits.

\*\* retiree life reserve for regulated employees of Rochester Telephone Company.

\*\*\* In addition, \$218,068 must be recognized immediately for special termination benefits.

6. It should be noted that the valuation results are sensitive to the actuarial assumptions. The assumptions used in the valuation were selected by the Corporation for the purpose of projecting future plan experience. Although we believe that the assumptions are reasonable for the purposes of these calculations, actual experience is very difficult to predict and other sets of equally reasonable assumptions could yield materially lesser or greater obligations. FAS 106 requires the disclosure of the effect of a one-percentage point increase in the assumed health care cost trend rates on the APBO and the aggregate of the service and interest cost components of the net periodic expense. This information is presented in Section III.

**SECTION II**  
**VALUATION RESULTS**

1. The results of the January 1, 1994 valuation of postretirement nonpension benefits are presented in Tables II-1 through II-3 as follows:

- Table II-1 shows the reconciliation of funded status and the 1994 net periodic postretirement benefit cost for the entire Corporation. The results are shown in total and for health insurance and telephone discount benefits combined and life insurance benefits alone. Health insurance benefits refer to medical and dental coverage as well as reimbursements of Medicare Part B premiums and other health care expenses as applicable. The health insurance projected pay-as-you-go cost is net of expected retiree contributions. The life insurance projected pay-as-you-go cost represents expected death benefits and assumes that any benefits paid on account of regulated retirees of Rochester Telephone Company are paid through the retiree life reserve.
- Tables II-2 and II-3 show the components of the 1994 periodic benefit cost by Company for health insurance and telephone discount benefits combined and for life insurance benefits alone, respectively.

Table II-2 also shows the amounts to be recognized immediately by the following companies that offered special termination benefits:

- Illinois Telco
- Monroeville
- Ontonagon
- Seneca Gorham

2. As indicated in Table II-1, the total accumulated postretirement benefit obligation amounts to \$132,241,349 of which \$75,515,727 is for current retirees, spouses and surviving spouses, \$23,279,941 is for active employees who are fully eligible to retire and \$33,445,681 is for active employees who are not yet fully eligible to retire. Against these obligations, there are plan assets of \$3,943,904 set aside in a retiree life reserve for Regulated employees of Rochester Telephone Company. The difference of \$128,297,445 between the total accumulated postretirement benefit obligation and the assets represents the unfunded obligation.

3. The total accrued postretirement benefit cost as of the valuation date amounts to \$16,015,854 which is \$112,281,591 less than the unfunded benefit obligation. The difference between the accrued benefit cost and the unfunded obligation is attributable to the unrecognized transition obligation of \$115,902,415, the unrecognized net prior service cost of \$1,614,889 (resulting from 1993 plan amendments), the unrecognized net gains of \$5,453,780 (resulting from experience during 1993 different from that assumed and from changes in actuarial assumptions and the unrecognized special termination benefits of \$218,068.
  
4. Under FAS 106, a plan amendment is simply a change in the existing terms of a plan. Any such change may either increase or decrease the accumulated postretirement benefit obligation (APBO). The impact of a benefit improvement is referred to as a prior service cost and must be amortized as a component of expense over the expected future working lifetime to full eligibility of plan participants not yet fully eligible to retire. If all or almost all of a plan's participants are fully eligible for benefits, the prior service cost must be amortized over the remaining life expectancy of those plan participants. A plan amendment can also reduce the APBO and create a negative prior service cost. The reduction must be used first to reduce any existing unrecognized prior service cost and then to reduce any remaining unrecognized transition obligation. The excess, if any, is then amortized on the same basis as a prior service cost generated by a plan improvement.

The amortization periods used in the valuation to recognize the 1994 plan amendments are as follows:

- Rochester Telephone Company - 15.9 years from April 1;
- C,C&S Telco. (Management) - 13.8 years from January 1;
- Depue - 19.7 years from January 1;
- Fairmount - 15.5 years from January 1;
- Schuyler - 17.3 years from January 1;
- Seneca Gorham - 14.0 years from January 1;
- Viroqua - 15.9 years from January 1.

5. Under FAS 106, an employer must measure and account for any postretirement nonpension benefit provided in exchange for early termination whereby the employee would not have otherwise been granted these benefits. In accordance with paragraph 102, the valuation measured the special termination benefits granted during 1994 as "the difference between (a) the accumulated postretirement benefit obligation for those employees, assuming that those employees (active plan participants) not yet fully eligible for benefits would terminate at their full eligibility date and that fully eligible plan participants would retire immediately, without considering any special termination benefits and (b) the accumulated postretirement benefit obligation as measured in (a) adjusted to reflect the special termination benefits."
6. As instructed by the Corporation, amortization of actuarial gains and losses for the New York State regulated companies (Ausable, Highland, Rochester Telephone Company, Seneca Gorham and Sylvan Lake) reflect the regulatory requirement to amortize gains and losses within the FAS 106 10% corridor over a fixed ten year period from the dates of establishment. Exhibit A-2 illustrates the treatment of actuarial gains and losses within the corridor applied in the valuation for these companies. For all other companies, gains and losses are recognized in accordance with the FAS 106 corridor approach.
7. The Tables in Appendix A present the 1994 valuation results by Company.

TABLE II-1  
POSTRETIREMENT NONPENSION BENEFITS VALUATION  
AS OF JANUARY 1, 1994  
(Numbers may not add due to rounding)

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GROUP: GRAND TOTAL

	<u>Lives</u>	<u>Health Insurance - and - Telephone Discount</u>	<u>Life Insurance</u>	<u>Grand Total</u>
<b><u>Reconciliation of Funded Status @ 12/31/93</u></b>				
Accumulated Postretirement Benefit Obligation (APBO)				
Retirees	1,842	(\$65,375,658)	(\$10,140,069)	(\$75,515,727)
Actives Fully Eligible to Retire	568	(20,280,231)	(2,999,710)	(23,279,941)
All Others	2,887	(30,268,227)	(3,177,454)	(33,445,681)
Total APBO		(\$115,924,116)	(\$16,317,233)	(\$132,241,349)
Plan Assets at Fair Value		0	3,943,904	3,943,904
Funded Status		(\$115,924,116)	(\$12,373,329)	(\$128,297,445)
Unrecognized Transition Obligation		105,649,284	10,253,130	115,902,415
Unrecognized Net Prior Service Cost		1,526,699	88,190	1,614,889
Unrecognized Net (Gain)/Loss		(5,313,665)	(140,114)	(5,453,780)
Unrecognized Special Termination Benefit		218,068	0	218,068
(Accrued)/Prepaid Postretirement Benefit Cost		(\$13,843,732)	(\$2,172,123)	(\$16,015,854)
<b><u>Net Periodic Postretirement Benefit cost for 1994</u></b>				
Service Cost		\$1,132,252	\$190,744	\$1,322,996
Interest Cost		8,464,705	1,201,390	9,666,095
Expected Return on Assets		0	(349,662)	(349,662)
Amortization of:				
Transition Obligation		5,558,195	535,476	6,093,670
Prior Service Cost		332,021	51,063	383,084
Gains and Losses		(657,310)	(45,800)	(703,110)
Total Net Periodic Expense		\$14,829,864 *	\$1,583,211	\$16,413,074 *
Projected Pay-As-You-Go Cost		\$4,908,595	\$713,719	\$5,622,314

- Notes:
1. Discount rate equals 7.25% per annum.
  2. Medical and dental trends equal 12.0% and 8.0% in 1994 respectively, both grading down to a flat 5.25% in the year 2006.

\* In addition, \$218,068 must be recognized immediately as a result of special termination benefits.

POSTRETIREMENT NONPENSION BENEFITS VALUATION  
AS OF JANUARY 1, 1994  
(Numbers may not add due to rounding)

HEALTH INSURANCE AND TELEPHONE DISCOUNT

	Service Cost	Interest Cost	Expected Return on Assets	AMORTIZATION OF:			1994 Periodic Benefit Cost	Special Termination Benefit
				Transition Obligation	Prior Service Cost	(Gains)/ Losses		
Rochester Telephone Company – Regulated	\$546,974	\$5,770,830	\$0	\$4,145,006	\$161,808	(\$805,102)	\$9,819,516	\$0
Rochester Telephone Company – RCI	17,944	45,710	0	38,793	13,741	(18,376)	97,812	0
Rochester Telephone Company – ROTELCOM	6,135	19,260	0	45,136	4,715	(35,089)	40,157	0
Rochester Telephone Company – RTMC	5,414	18,370	0	14,443	4,601	(5,309)	37,519	0
Rochester Telephone Company – DSI	15,615	63,026	0	0	21,148	20,805	120,593	0
Ausable Valley	11,381	22,379	0	27,408	0	(24,019)	37,149	0
Canton	213	3,466	0	4,909	0	(2,953)	5,635	0
C, C & S Telco. – Management Only	3,623	5,998	0	4,121	1,547	(919)	14,370	0
Citizen's	0	0	0	0	0	0	0	0
Depue	0	12,531	0	10,664	0	(1,591)	21,603	0
Enterprise	1,319	1,957	0	1,566	0	(221)	4,621	0
Fairmount	0	11,250	0	683	8,089	366	20,387	0
Highland	349,760	894,979	0	473,993	0	176,285	1,895,017	0
Illinois Telco.	0	21,245	0	9,751	0	589	31,586	53,233
Lakeshore	0	8,006	0	7,965	0	(2,691)	13,281	0
Mid-South	0	154	0	1,289	0	0	1,443	0
Minot	0	0	0	0	0	0	0	0
Mondovi	10,448	19,839	0	12,412	0	0	42,700	0
Monroeville	0	13,499	0	2,112	0	5,228	20,840	103,359
Mt. Pulaski	4,951	18,136	0	7,197	0	2,843	33,127	0
Ontonagon	1,178	10,830	0	6,138	0	(1,146)	16,999	51,829
Orion	0	6,648	0	3,891	0	387	10,925	0
Oswayo	0	14,300	0	6,201	0	3,458	23,960	0
Schuyler	10,358	40,225	0	23,353	3,664	0	77,601	0
Seneca Gorham	4,665	38,284	0	20,665	5,544	(1,873)	67,286	9,647
Southland	0	48,479	0	27,175	0	205	75,859	0
Sylvan Lake – Management	4,418	20,367	0	8,040	0	8,717	41,542	0
Sylvan Lake – Non-Management	14,056	26,848	0	14,885	0	3,624	59,413	0
Thorntown	8,684	18,384	0	13,077	0	(865)	39,280	0
Urban	1,474	14,191	0	1,413	0	0	17,077	0
Viroqua	0	40,821	0	24,873	1,728	0	67,421	0
Vista – Iowa	11,098	474,524	0	257,973	26,433	0	770,028	0
Vista – Minnesota	102,543	760,170	0	343,062	79,003	20,338	1,305,116	0
Grand Total	\$1,132,252	\$8,464,705	\$0	\$5,558,195	\$332,021	(\$657,310)	\$14,829,264	\$218,068

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ROCHESTER TELEPHONE CORPORATION  
AS OF JANUARY 1, 1994  
(Numbers may not add due to rounding)

	LIFE INSURANCE BENEFITS						1994 Periodic Benefit Cost
	Service Cost	Interest Cost	Expected Return on Assets	AMORTIZATION OF: Transition Obligation	Prior Service Cost	(Gains)/ Losses	
Rochester Telephone Company – Regulated	\$117,137	\$815,935	(\$349,662)	\$337,449	\$32,975	(\$85,617)	\$868,217
Rochester Telephone Company – RCI	4,002	9,767	0	9,100	3,119	(4,765)	21,222
Rochester Telephone Company – ROTELCOM	1,512	4,643	0	8,919	1,162	(6,507)	9,729
Rochester Telephone Company – RTMC	1,338	5,273	0	2,854	1,731	(636)	10,560
Rochester Telephone Company – DSI	2,885	11,661	0	0	4,210	3,667	22,423
Ausable Valley	1,033	1,518	0	784	0	321	3,656
Canton	0	0	0	0	0	0	0
C,C & S Telco. – Management Only	0	0	0	0	0	0	0
Citizen's	818	2,528	0	555	0	1,031	4,932
Depue	0	4,218	0	0	(278)	2,425	6,366
Enterprise	0	0	0	0	0	0	0
Fairmount	0	0	0	0	0	0	0
Highland	52,728	169,255	0	89,378	0	39,184	350,545
Illinois Telco.	0	0	0	0	0	0	0
Lakeshore	0	0	0	0	0	0	0
Mid-South	0	0	0	0	0	0	0
Minot	0	0	0	0	0	0	0
Mondovi	0	0	0	0	0	0	0
Monroeville	0	0	0	0	0	0	0
Mt. Pulaski	0	0	0	0	0	0	0
Ontonagon	0	0	0	0	0	0	0
Orion	0	0	0	0	0	0	0
oswayo	0	153	0	97	0	3	253
Schuyler	0	0	0	0	0	0	0
Seneca Gorham	0	0	0	0	0	0	0
Southland	0	3,798	0	2,373	0	37	6,208
Sylvan Lake – Management	1,366	4,005	0	3,799	0	(1,867)	7,304
Sylvan Lake – Non-Management	0	0	0	0	0	0	0
Thorntown	0	0	0	0	0	0	0
Urban	0	0	0	0	0	0	0
Viroqua	0	0	0	0	0	0	0
Vista – Iowa	676	66,488	0	34,012	2,242	597	104,015
Vista – Minnesota	7,248	102,148	0	46,157	5,902	6,326	167,781
Grand Total	\$190,744	\$1,201,390	(\$349,662)	\$535,476	\$51,063	(\$45,800)	\$1,585,841

**SECTION III**  
**YEAR END DISCLOSURES AND PROJECTION RESULTS**

1. Tables III-1 through III-3 project the December 31, 1994 reconciliation of funded status, 1995 net periodic benefit cost and 1995 pay-as-you-go cost. The results are presented in total and for health insurance and telephone discount combined and life insurance separately.
2. The projections assume the following:
  - The discount rate is increased from 7.25% to 8.0% per annum effective December 31, 1994;
  - the assumed medical and dental trend rates are revised to grade down to an ultimate flat rate of 6.0% in the year 2006 (increased from 5.25%);
  - retiree death benefits paid on account of regulated retirees of Rochester Telephone Company are paid out of the retiree life reserve;
  - the projections assume a constant active workforce, no actuarial gains or losses, no changes in benefit provisions and no other special events except for the early retirements reported by Rochester Telephone Company.

3. The effect of a one-percentage-point increase in the assumed health care cost trend rates for each future year on (a) the APBO for health benefits and (b) the aggregate of the service cost and interest cost components of the net periodic postretirement health benefit cost is a required disclosure under FAS 106.

The impact on 1994 year end APBO for health insurance and telephone discount (based on an 8.0% discount rate) and the sum of the service and interest cost components of 1994 expense for those benefits (based on a 7.25% discount rate) are as follows:

(all amounts in thousands)

	Valuation Trend	Trend Plus 1%	Increase	
			Amount	Percent
1994 Year End APBO	\$124,742	\$140,459	\$15,717	12.6%
1994 Service and Interest Cost	\$9,597	\$10,925	\$1,328	13.8%

4. The Tables in Appendix B present the results of the 1995 projections by Company.

TABLE III-1  
 POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS  
 AS OF JANUARY 1, 1994  
 (Numbers may not add due to rounding)

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GROUP: GRAND TOTAL

	Health Insurance -and- Telephone Discount	Life Insurance	Grand Total
<b><u>Reconciliation of Funded Status @ 12/31/94</u></b>			
Accumulated Postretirement Benefit Obligation (APBO)			
Retirees	(\$73,100)	(\$10,385)	(\$83,486)
Actives Fully Eligible to Retire	(21,726)	(2,898)	(24,625)
All Others	(29,915)	(2,988)	(32,903)
Total APBO	(\$124,742)	(\$16,271)	(\$141,014)
Plan Assets at Fair Value	0	3,813	3,813
Funded Status	(\$124,742)	(\$12,458)	(\$137,201)
Unrecognized Transition Obligation	100,091	9,639	109,730
Unrecognized Net Prior Service Cost	4,028	782	4,810
Unrecognized Net (Gain)/Loss	(3,360)	(1,477)	(4,837)
Unrecognized Special Termination Benefit	0	0	0
(Accrued)/Prepaid Postretirement Benefit Cost	(\$23,983)	(\$3,515)	(\$27,498)
<b><u>Periodic Postretirement Benefit cost for 1995</u></b>			
Service Cost	\$932	\$140	\$1,071
Interest Cost	9,749	1,271	11,020
Expected Return on Assets	0	(320)	(320)
Amortization of:			
Transition Obligation	5,558	535	6,094
Prior Service Cost	401	65	466
Gains and Losses	(541)	(139)	(680)
Total Net Periodic Expense	\$16,099	\$1,553	\$17,652
Projected Pay-As-You-Go Cost	\$5,867	\$780	\$6,647

- Notes:
1. Discount rate equals 8.0% per annum.
  2. Medical and dental trends grade down to a flat rate of 6.0% in the year 2006.

**POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS**  
**BASED ON THE JANUARY 1, 1994 VALUATION**  
 (All Amounts in Thousands)

	HEALTH INSURANCE AND TELEPHONE DISCOUNT						
	Service Cost	Interest Cost	Expected Return on Assets	AMORTIZATION OF:			1995 Periodic Benefit Cost
				Transition Obligation	Prior Service Cost	(Gains)/ Losses	
Rochester Telephone Company – Regulated	\$376	\$6,702	\$0	\$4,145	\$216	(\$709)	\$10,729
Rochester Telephone Company – RCI	0	73	0	39	18	(9)	121
Rochester Telephone Company – ROTELCOM	0	27	0	45	6	(32)	47
Rochester Telephone Company – RTMC	0	30	0	14	6	(1)	49
Rochester Telephone Company – DSI	0	59	0	0	28	24	111
Ausable Valley	12	26	0	27	0	(23)	42
Canton	0	4	0	5	0	(3)	6
C,C & S Telco. – Management Only	4	7	0	4	2	(1)	15
Citizen's	0	0	0	0	0	0	0
Depue	0	13	0	11	0	(2)	22
Enterprise	1	2	0	2	0	(0)	5
Fairmount	0	12	0	1	8	0	21
Highland	360	1,022	0	474	0	158	2,014
Illinois Telco.	0	23	0	10	0	0	33
Lakeshore	0	9	0	8	0	(3)	14
Mid – South	0	0	0	2	0	0	2
Minot	0	0	0	0	0	0	0
Mondovi	11	23	0	12	0	0	46
Monroeville	0	13	0	2	0	6	21
Mt. Pulaski	5	20	0	7	0	2	35
Ontonagon	1	12	0	6	0	(1)	18
Orion	0	7	0	4	0	0	11
oswayo	0	15	0	6	0	3	25
Schuyler	11	45	0	23	4	0	83
Seneca Gorham	5	43	0	21	6	(4)	70
Southland	0	52	0	27	0	0	80
Sylvan Lake – Management	5	23	0	8	0	8	43
Sylvan Lake – Non – Management	14	32	0	15	0	3	64
Thorntown	9	21	0	13	0	(1)	42
Urban	1	14	0	1	0	0	17
Viroqua	0	44	0	25	2	0	71
Vista – Iowa	11	525	0	258	26	0	820
Vista – Minnesota	105	850	0	343	79	45	1,422
Grand Total	\$932	\$9,749	\$0	\$5,558	\$401	(\$541)	\$10,999

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POSTRETIREMENT NONPENSION BENEFITS PROJECTIONS  
 BASED ON THE JANUARY 1, 1994 VALUATION  
 (All Amounts in Thousands)

	Service Cost	Interest Cost	Expected Return on Assets	AMORTIZATION OF:			Total 1995 Expense
				Transition Obligation	Prior Service Cost	(Gains)/ Losses	
Rochester Telephone Company – Regulated	\$82	\$875	(\$320)	\$337	\$44	(\$156)	\$862
Rochester Telephone Company – RCI	0	11	0	9	4	(5)	19
Rochester Telephone Company – ROTELCOM	0	5	0	9	2	(7)	9
Rochester Telephone Company – RTMC	0	6	0	3	2	(1)	10
Rochester Telephone Company – DSI	0	10	0	0	6	4	19
Ausable Valley	1	2	0	1	0	0	3
Canton	0	0	0	0	0	0	0
C,C & S Telco. – Management Only	0	0	0	0	0	0	0
Citizen's	1	3	0	1	0	1	5
Depue	0	4	0	0	(0)	2	6
Enterprise	0	0	0	0	0	0	0
Fairmount	0	0	0	0	0	0	0
Highland	48	175	0	89	0	25	338
Illinois Telco.	0	0	0	0	0	0	0
Lakeshore	0	0	0	0	0	0	0
Mid-South	0	0	0	0	0	0	0
Minot	0	0	0	0	0	0	0
Mondovi	0	0	0	0	0	0	0
Monroeville	0	0	0	0	0	0	0
Mt. Pulaski	0	0	0	0	0	0	0
Ontonagon	0	0	0	0	0	0	0
Orion	0	0	0	0	0	0	0
oswayo	0	0	0	0	0	(0)	0
Schuyler	0	0	0	0	0	0	0
Seneca Gorham	0	0	0	0	0	0	0
Southland	0	4	0	2	0	0	6
Sylvan Lake – Management	1	4	0	4	0	(2)	7
Sylvan Lake – Non-Management	0	0	0	0	0	0	0
Thorntown	0	0	0	0	0	0	0
Urban	0	0	0	0	0	0	0
Viroqua	0	0	0	0	0	0	0
Vista – Iowa	1	68	0	34	2	0	105
Vista – Minnesota	6	103	0	46	6	1	162
Grand Total	\$140	\$1,271	(\$320)	\$535	\$65	(\$139)	\$1,453

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## SECTION IV

VALUATION CENSUS DATA

1. The valuation was based on individual census data supplied by the Corporation and its Subsidiaries via magnetic tape (January 1, 1994 pension plan valuations), manual listings, pc files transferred by modem and numerous telephone conversations.
2. Table IV-1 shows the number, average age and average service of active employees by Company as well as total covered salary for projecting retiree life insurance benefits. In general, the data reported included name, social security number, gender, date of birth, date of hire and if necessary for life insurance benefits, salary. For employees of Rochester Telephone Company, data were further split between the regulated (Management, CWA and RTWA) and deregulated (RCI, ROTELCOM, RTMC and DSI) entities. For employees covered under the Highland Telephone Pension Plan (Highland, Ausable Valley, Seneca Gorham and Sylvan Lake Management) data were split between union and non-union employees. For employees of Vista Telephone Company, data were split between Vista-Iowa and Vista-Minnesota as well as by exempt, non-exempt, and non-exempt bargaining. Only management employees of C,C&S Telco. are eligible for retiree nonpension benefits.
3. Table IV-2 shows the number of retirees, surviving spouses and covered spouses with medical and/or life insurance coverage under and at least age 65, by Company, as well as total in force life insurance volumes. In general, the retiree data included name, social security number, gender, date of birth, date of retirement, medical coverage code (single, family) and spouse date of birth (if family coverage). For retirees of Rochester Telephone Company, covered spouses were assumed in accordance with valuation assumptions. If applicable, the individual records included current medical and dental premiums, amounts reimbursed for local telephone service and current life insurance benefits in force.

All current retirees of Rochester Telephone Company were included as regulated. The data were provided in two separate files, one containing contributory retirees, the other containing non-contributory retirees. Of the non-contributory retirees, 70% were assumed to be union. For purposes of valuing Medicare Part B premium reimbursements, union retirees were assumed to be equally split between CWA and RTWA. Both retiree data files were matched to the 1992 valuation retiree data file in order to pick up gender and life insurance benefit amounts. 1992 and 1993 retirements were matched to the 1992 valuation active data file in order to pick up gender and assumed final salary. Of those retirees still missing a gender code, 50% were

assumed to be male. Individuals without life insurance benefit amounts were assumed to be surviving spouses.



TABLE IV-1  
POSTRETIREMENT NONPENSION BENEFITS VALUATION  
AS OF JANUARY 1, 1994  
SUMMARY OF ACTIVE CENSUS DATA

COMPANY	FULLY ELIGIBLE TO RETIRE			OTHER ACTIVES			TOTAL		
	NUMBER	AVERAGE AGE	AVERAGE SERVICE	NUMBER	AVERAGE AGE	AVERAGE SERVICE	NUMBER	AVERAGE AGE	AVERAGE SERVICE
ROCHESTER TELEPHONE									
REGULATED	458	56.1	32.2	1,633	38.3	12.3	2,091	42.2	16.7
RCI	3	51.3	32.0	165	34.7	4.2	168	35.0	4.7
ROTELCOM	2	53.0	30.0	40	38.7	5.6	42	39.4	6.8
RTMC	1	51.0	33.0	42	37.6	6.2	43	37.9	6.8
DSI	2	60.5	34.5	123	36.6	7.0	125	37.0	7.4
AUSABLE	4	57.3	28.3	10	43.6	13.3	14	47.5	17.6
CANTON	1	56.0	28.0	11	35.5	10.8	12	37.2	12.2
C,C,&S	0	NA	NA	15	43.6	18.7	15	43.6	18.7
CITIZEN'S	0	NA	NA	6	43.0	9.8	6	43.0	9.8
ENTERPRISE	7	60.4	30.6	80	41.3	14.0	87	42.8	15.3
HIGHLAND	20	55.0	28.8	200	39.5	11.0	220	40.9	12.6
MONDOVI	0	NA	NA	8	41.6	14.4	8	41.6	14.4
MT. PULASKI	0	NA	NA	7	40.0	7.9	7	40.0	7.9
ONTONAGON	4	53.5	28.2	11	37.9	13.1	15	42.1	17.1
SCHUYLER	0	NA	NA	9	42.9	14.7	9	42.9	14.7
SENECA GORHAM	3	57.7	25.0	6	38.3	11.8	9	44.8	16.2
SYLVAN (MANAGEMENT)	0	NA	NA	3	47.0	17.7	3	47.0	17.7
SYLVAN (NON-MANAGEMENT)	3	60.0	29.3	12	43.0	14.0	15	46.4	17.1
THORNTOWN	0	NA	NA	10	38.1	11.6	10	38.1	11.6
URBAN	2	57.5	32.0	65	40.4	14.7	67	40.9	15.2
VIROQUA	0	NA	NA	9	40.1	13.2	9	40.1	13.2
VISTA - IOWA	30	56.4	30.9	88	42.5	21.6	118	46.0	24.0
VISTA - MINN	28	57.3	22.5	334	39.9	12.0	362	41.3	12.8
TOTALS	568	56.2	31.4	2,887	38.7	11.7	3,455	41.5	15.0

- Notes: 1. Total 1994 compensation for 2,469 Rochester Telephone Company employees equals \$93,868,962.  
2. Total 1994 compensation for 2 Ausable Valley - Management employees equals \$90,757.  
3. Total 1994 compensation for 6 Citizen's employees equals \$217,899.  
4. Total 1994 compensation for 220 Highland employees equals \$7,857,155.  
5. Total 1994 compensation for 3 Sylvan Lake - Management employees equals \$150,852.